



World Affairs Council of Pittsburgh

### SUMMER SEMINAR ON WORLD AFFAIRS 2009

**The Situation:** The current President of the Republic of China (Taiwan), Ma Yin-jeou, was elected on March 22, 2008 with 58% of the vote. While running on a pro-reunification platform in the election, he made several public statements that indicate his growing displeasure with the “One China” policy. The United States accepts the “One China” policy and recognizes Beijing as the sole legal government of China, though they continue to have non-diplomatic relations with Taiwan as authorized by the Taiwan Relations Act. Ma won on a platform of economic revitalization and the promise to improve cross-border relations.

There are obstacles to better relations between Taiwan and the PRC. For example, Boeing Corporation has been trying for years to sell an advanced land-based missile deterrent system that is an improvement on the SCUD missile used in the Gulf War in 1991. Taiwan has indicated its willingness to purchase this system from Boeing for \$5 billion USD. The PRC objects to this sale, saying it will make Taiwan an even greater military threat to the PRC than it already is. China’s ambassador to the U.S. has privately approached the U.S. State Department saying that if the sale for Boeing goes through to Taiwan, then the PRC will retaliate by not purchasing any future commercial aircraft from the United States and using only European-made aircraft. It will also cancel discussions with Pittsburgh-based Maglev to extend the existing Maglev line in Shanghai.

Simultaneously, the situation in North Korea is heating up. North Korea has once again failed to permanently shut down its main nuclear reactor as agreed during the six-party talks (among North Korea, South Korea, China, Japan, Russia and the United States) held earlier this year. In April, North Korea attempted to test long-range conventional missiles in the Sea of Japan. And, for the first time, North Korea has threatened to use offensive nuclear weaponry against Japan and other Asian countries. Japan is worried and has contacted the United States asking it to intervene and to talk with China about having the North Koreans back off their announced intentions. One reason for the Korean action is that starvation in North Korea is a serious fact of life that, at any point, is capable of reaching catastrophic proportions. Decreased contributions of foodstuffs as a result of the war in Iraq have exacerbated the problem, and the North Korean government feels it must do something or face internal civil war. Japan is willing to increase its donations of food to North Korea but has asked the United States to match those donations in exchange for the public support and troops Japan has sent to Iraq. President Obama has recently reinforced the American position that North Korea should not continue to develop its nuclear capability.

In the last year, economic tensions between the U.S. and China have escalated. Chief among U.S. concerns is the growing trade imbalance between the two countries. China’s continued refusal to allow its currency to fully appreciate (which results in artificially low prices for Chinese exports) and its lackluster efforts to protect U.S. intellectual property rights have further strained relations between the two countries. Former President Bush’s efforts to resolve these disputes through negotiations with the Chinese were met with little success. President Barack Obama is now asking Congress to back a bill that would levy sanctions against China unless it takes immediate action to revalue its currency and to protect U.S. intellectual property rights. Since the U.S. is one of the major investors in China, the PRC



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# FOREIGN POLICY SCENARIO

## *The Changing Dynamics of America and Asia*

government sees this as a real threat to its economy. Although the Chinese economy has been growing for the last ten years, it is in danger of overheating because of weaknesses in the Chinese banks. China has threatened that if there is any administrative support for the Obama-backed sanctions bill, it will conduct full-scale naval maneuvers in the strait between Taiwan and the mainland. The last time this was done, President Bill Clinton was forced to position U.S. aircraft carriers in the strait in order to play down the situation.

Finally, the rapid rise in oil prices is creating competition between the U.S. and the PRC to secure good sources of supply. Taiwan wants to align itself with the U.S. in making deals with petroleum countries. Is this a good idea?

**The Questions:** *You are an advisor to President Obama and will meet with him within the hour. Be prepared to advise him on the following:*

1. What, if anything, should the President do about blocking the sale of a military missile defense system by Boeing to Taiwan?
2. How should Congress respond to President Obama's legislative initiative to sanction China over trade and intellectual property issues?
3. How would you advise the President to act if once again China carries out full-scale naval maneuvers in the strait between the People's Republic of China and Taiwan? Would you advise President Obama to send in U.S. aircraft carriers, as did President Clinton?
4. Should the U.S. make any formal or informal relations with Taiwan in seeking out oil supplies?

